THE BORDEN COMPANY ANNUAL REPORT 1966

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BOARDS

The supermarket cart and the chemical retort and beaker on our cover symbolize Borden's emergence as a food and chemical company. The diversity of our operations within the food and chemical areas is

illustrated by these photographs, which show 1,100 products representative of the several thousand we manufacture and sell in the U.S. Many of our food products are also available for institutional use.

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CONTENTS

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HIGHLIGHTS

	1966	CHANGE	1965
Net sales	$1,545,509,820	+11.5%	$1,385,518,426
Net earnings	$ 57,659,654	+13.3%	$ 50,912,364
per share	$2.16	+ 6.4%	$2.03
Cash dividends	$ 31,978,143	+16.3%	$ 27,492,631
per share	$1.20	+ 9.6%	$1.09½
Working capital	$ 232,182,719	+ 2.5%	$ 226,515,286

year in review

FIRST QUARTER: Krylon, Inc., Norristown, Pa., manufacturer of spray paints; Columbus Plastic Products, Inc., Columbus, O., manufacturer of plastic housewares, and Ozon Products, Inc., Brooklyn, N.Y., manufacturer of toiletries, acquired • Quarterly dividend payment increased from 27¾¢ to 30¢ a share on March 1.

SECOND QUARTER: Quimica Borden Centroamericana, S.A., an unconsolidated foreign operation, formed in Nicaragua to construct resins and adhesives plant, providing entry into Central American Common Market • More than 520,000 shares of Borden stock issued to employees who subscribed to first offering under Employees Stock Purchase Plan.

THIRD QUARTER: Raymond's Nut Shops Limited, Kitchener, Ont., manufacturer of snack foods sold under the Jack Snacks trade name, acquired by The Borden Company, Limited, of Canada • World's largest plant for production of acetic acid from carbon monoxide and methanol goes on stream at Geismar, La. • Swiss Style yogurt introduced in all fluid milk markets • Eleventh foreign chemical affiliate, Borden Kjemi Norge, A/S, formed in Norway; constructs plant for manufacture of Resinite PVC packaging film.

FOURTH QUARTER: New milk processing and ice cream distribution plants go into operation at Lexington, Ky., and Fresno, Calif. • The Borden Chemical Company (Canada) Ltd. begins manufacture and distribution of Lustro-Ware plastic housewares in Canada • Jean Patou, Inc., U.S. affiliate of Jean Patou Parfumeur, S.A., of Paris, France, acquired; company owns all rights in U.S., Canada, Puerto Rico and Mexico to Jean Patou name as applied to perfumes and toiletries.

BOARD OF DIRECTORS

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Columbia University
WALKER G. BUCKNER
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LESTER LE FEBER, *Former President*
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Former Chairman, First National City Bank
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Member of law firm, Wien, Lane & Klein
ROY D. WOOSTER, *Former Chairman*

EXECUTIVE COMMITTEE:

Mr. COMFORT, *Chairman;* Messrs. ARCHER, ELLIOTT, GORDON, LEWIS, MARUSI, MONTAGUE, SHEPERD and WOOSTER, permanent members. Other Directors serve in rotation.

FINANCE COMMITTEE:

Mr. MONTAGUE, *Chairman;* Messrs. COMFORT, ELLIOTT, LEWIS, PATIENCE, RENCHARD, SHEPERD and WOOSTER.

COMMITTEE ON AUDIT:

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PENSION COMMITTEE:

Mr. WOOSTER, *Chairman;* Messrs. ARCHER, COMFORT, ELLIOTT, LEWIS, MARUSI and MONTAGUE.

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EDWIN CLARK DAVIS, *Vice President*
MILTON FAIRMAN, *Vice President*
RAYMOND J. KUNZ, *Vice President*
THEODORE G. MONTAGUE, JR., *Vice President*
WALTER R. OLMSTEAD, *Vice President*
EDWIN S. PATIENCE, *Vice President and Treasurer*
JACK B. PENTZ, *Vice President*
EUGENE J. SULLIVAN, *Vice President*
DOUGLAS T. ORTON, *Secretary*
PHILIP S. CAMPBELL, *Assistant Vice President*
LOUIS CSENGE, *Assistant Vice President*
HARRY N. WEBSTER, *General Controller*
ROBERT G. BELL, *General Auditor*
and Assistant Treasurer
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RICHARD J. McGOLDRICK, *Assistant Treasurer*
KENNETH J. NEAGLE, *Assistant Secretary*
FRANCES I. REILLY, *Assistant Secretary*

BOARD OF OFFICERS

Mr. ELLIOTT, *Chairman;* Messrs. ARCHER, BIGGS, CSENGE, DAVIS, FAIRMAN, KUNZ, MARUSI, MONTAGUE, JR., OLMSTEAD, ORTON, PATIENCE, PENTZ, SULLIVAN, and JEAN J. CHAREST, *President, The Borden Company, Limited.*

CORPORATE DATA

EXECUTIVE OFFICES: *350 Madison Avenue, New York, N.Y. 10017*

COUNSEL: *Milbank, Tweed, Hadley & McCloy, 1 Chase Manhattan Plaza, New York, N.Y. 10005*

CAPITAL STOCK DATA: *Transfer Agent, The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N.Y. 10015; Dividend Disburser, The Borden Company, 350 Madison Avenue, New York, N.Y. 10017; stock listed on the New York Stock Exchange*

Messrs. Archer, Elliott and Marusi

message to stockholders and employees

Our Company's performance in 1966 resulted from the greater depth and breadth of our activities, and the favorable business climate in which they were conducted. New products, new markets, additional facilities and further efficiencies not only contributed to higher sales and profits but also strengthened and extended the organization to better meet the challenges ahead. During the year the extension of our diversification program brought us closer to the ultimate goal: to make the Company's operations responsive to the full range of a growing economy, rather than to particular sectors of it.

A pattern of steady growth established in the 1950's was continued during 1966. All-time highs were set by earnings for the eleventh consecutive year, and by sales for the eighth consecutive year. Our net profit as a per cent of sales again improved, reaching its highest level in 27 years.

A buoyant national economy was an important factor in these results. It was also a source of some problems, with which business generally was confronted. Efforts to slow down the economy brought about a tightening of the money supply, higher interest rates, and some changes in the Federal tax structure. The effects were felt in the business community. In our Company, for example, the suspension of the 7% investment tax credit as of early October reduced our anticipated earnings for the year. In addition, we met with the usual problems that business contends with from year to year — rising costs of labor and material and a pronounced competitive climate, with consequent pressure on profit margins. There was also difficulty in obtaining essential price increases.

Our confidence in the long-range growth potential of our foreign unconsolidated operations was supported by their performance during the year. Both their sales and our equity in their net income reached the highest levels on record. New and promising markets for chemical products were opened in Scandinavia and Central America with the establishment of manufacturing affiliates in Norway and Nicaragua. The latter will provide us with an entry into the Central American Common Market, and the benefits of its unified tariffs on the products we manufacture. Our expansion abroad, although far-ranging, is in keeping with the voluntary program to improve the nation's balance of payments, in which we are cooperating as a member of the business community.

Along with all business, the Company's operations in 1967 will be affected to an unusual degree by factors outside its control. For some time, most of the significant economic indicators have pointed to some slowing down in the economy's rate of growth from the exceptional pace of recent years. To what extent a surcharge on corporate and individual income taxes, if enacted, might further affect the economy cannot be foreseen at this early stage, since its timing and amount are uncertain. However, the slowing of the economy as now anticipated will not, in the current view of a majority of economic observers, be of severe proportions and could have long-term benefits in adjusting the economy to a more sustainable rate of growth. Even though it appears to be entering a period of adjustment and some uncertainty, the economy should remain at a healthy and productive level.

In light of this, we view the Company's prospects for the coming year with some optimism. While a tax increase would of course directly affect the profit performance of all business, the internal strengthening and expansion of our operations in recent years, together with a reasonably robust economy, encourage us to look forward to a satisfactory year in both sales and earnings.

The results detailed in the following pages of this Report could not have been achieved without the wholehearted effort and support of every member of the Borden family. We are deeply grateful to the men and women of the Borden organization, the members of the Board of Directors, and the stockholders for their valued contributions to the conduct of the Company's affairs.

Chairman

Vice Chairman

President

FEBRUARY 28, 1967

Continuing a series of field trips, Company Directors visited our growing petrochemical complex at Geismar, La., as well as our milk and ice cream plant at New Orleans.

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Record Sales and Profits

The Company's 110th year in business was its most successful. Extending a series of year-to-year gains dating from the 1950's, the Company in 1966 established all-time highs in sales and earnings.

Improving for the eighth successive year, sales increased 11.5% to $1,545,509,820, from $1,385,518,426 in 1965.

Total earnings and earnings per share rose for the eleventh consecutive year. Net income was $57,659,654, a gain of 13.3% from profits of $50,912,364 a year earlier. Earnings per share increased to $2.16 on 26,730,599 average shares outstanding, from $2.03 on 25,105,103 average shares outstanding in 1965. Had the 7% investment tax credit not been suspended as of Oct. 10, earnings would have been 3 cents per share higher.

Our net profit per dollar of sales advanced to 3.73 cents, the highest in 27 years. It was 3.67 cents for the previous year, and averaged 2.99 cents in the ten-year period through 1965.

Dividend Increased

On March 1, the quarterly dividend payment was increased to 30 cents per share, from 27¾ cents previously. Three subsequent quarterly payments at that rate brought the total cash dividend for the year to $1.20 per share, compared with $1.09½ per share for 1965. The December payment was the 227th consecutive cash dividend since the Company was incorporated in 1899.

Working Capital Rises

On Dec. 31, current assets were $377,427,497 and current liabilities, $145,244,778 (a ratio of 2.60 to 1), leaving a balance of $232,182,719 as working capital. This was an increase of $5,667,433 from a year earlier, when working capital was $226,515,286 and the ratio of current assets to current liabilities was 2.83 to 1.

Business Abroad Improves

Record highs in sales and net income were set by our unconsolidated foreign subsidiaries, reflecting increased productive capacity, market expansion, and the favorable economic climate of many countries in which we do business.

Sales of these subsidiaries totaled $122,720,330, an increase of 9.5% from the previous high of $112,044,584 in 1965. Our equity in their net income was $6,822,858, up 21.8% from the $5,600,605 of a year earlier. The 1966 amount was after providing for an "unrealized exchange loss" of $191,200 – an adjustment resulting from the translation of net current assets to their U.S. dollar equivalent at year-end rates of exchange. A year before, a similar provision was $903,280.

After applicable U.S. income taxes, dividends paid to the Company by our unconsolidated subsidiaries and included in its net income amounted to $3,352,877, compared with $3,196,944 in 1965. Our equity in their undistributed earnings was $2,919,831, and at year end our equity in their net assets exceeded our investment by $32,892,588.

Record Growth Program

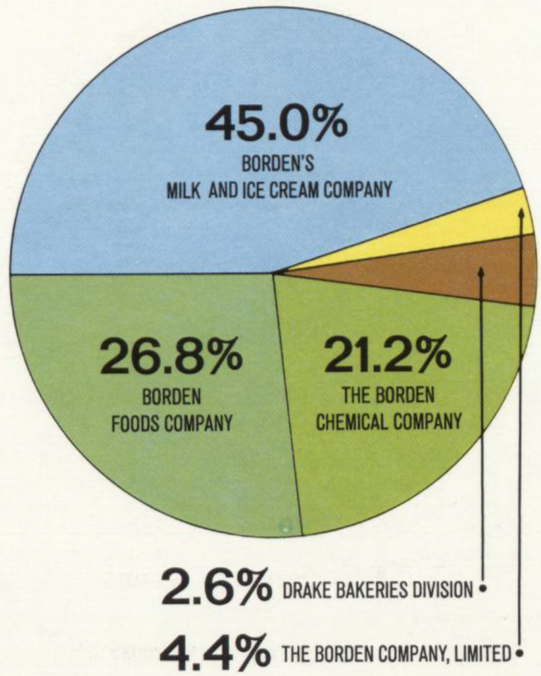
The Company in 1966 carried out the largest and most far-reaching program of plant construction, expansion, and modernization in its history to accommodate the increasing diversity of its operations. This growth program was broadened by the acquisition during the year of four well-established companies, each a leader in its field, whose business complements and strengthens existing Borden operations.

We secured about $86,000,000 worth of plant and equipment in the United States and Canada, as compared with the previous high of approximately $75,000,000 in the preceding year. Of the amount in 1966, depreciation and depletion accruals provided about $25,300,000 and $20,200,000 came from retained earnings; approximately $40,500,000 was represented by leased equipment.

Now that several unusually large projects are completed, we shall be able to reduce our budget for plant and equipment in 1967. In that year we shall complete, and have the benefit of, several major long-term building projects, principally chemical facilities, whose costs were largely provided for in 1966 and earlier budgets. Also, several projects included

THE SALES DOLLAR

...where it came from



The comparable breakdown of sales for 1965 is: Borden's Milk and Ice Cream Company, 47.7%; Borden Foods Company, 26.7%; The Borden Chemical Company, 18.8%, Drake Bakeries Division, 2.4%; The Borden Company, Limited, 4.4%.

in the 1966 budget and scheduled for completion during the year were held up because of delays in delivery of material and equipment and strikes and labor shortages encountered by contractors. These projects should be completed in 1967.

The 1967 budget calls initially for $44,770,000 worth of new plant and equipment for our consolidated operations. Of this amount, approximately $26,500,000 will be furnished by depreciation and depletion accruals and $1,600,000 by retained earnings; about $16,670,000 worth of equipment will be leased.

New Chemical Operations

In 1966 we placed nine new chemical facilities in operation and began construction of two others; plant expansion was completed or under way at 14 locations. There were four principal areas of our chemical operations that benefited from these activities.

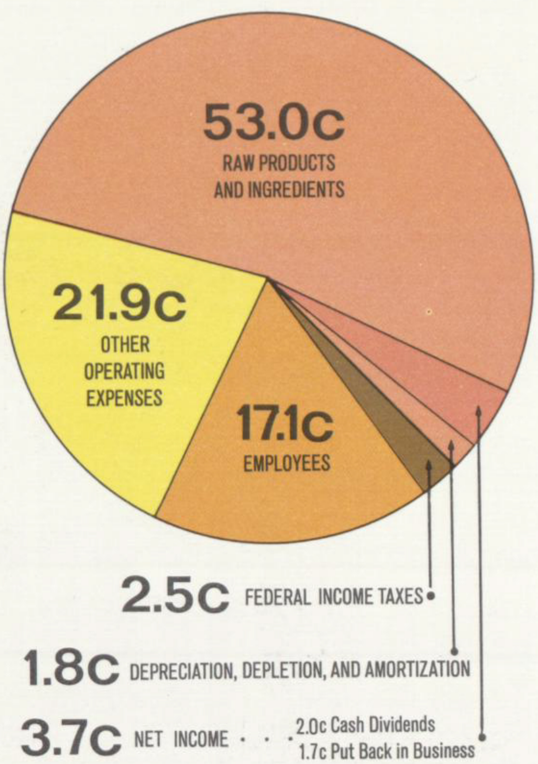
A major part of our chemical growth program is being carried out in petrochemicals, at our Geismar, La., complex, where an acetic acid plant was placed in operation and ammonia and urea plants are nearing completion. Under way is expansion of acetic acid, methanol, and vinyl acetate facilities.

Agricultural chemical operations were substantially expanded with the completion of new facilities in Florida and North Carolina and of additional facilities in Virginia, Florida, and Texas, which together increased capacity for phosphoric acid, sulphuric acid, fertilizers, and feed supplements.

We strengthened our position as a leading supplier of adhesives to the plywood and furniture industries, by greatly enlarging productive capacity for the basic materials used in their manufacture. Total rated output of formaldehyde facilities rose to almost 775,000,000 pounds with the completion of a new plant at La Grande, Ore., and expansion of existing operations at five locations in four states. Capacity for synthetic resins was increased with the opening of a new plant at La Grande and the addition of facilities at Sheboygan, Wisc. Also placed on stream, at Fayetteville, N.C., was a new plant for the manufacture of a formaldehyde-related product – hexamethylenetetramine ("hexa"), which is used as a curing agent in resins and as a raw material.

Production of intermediate and end products made from polyvinyl chloride (PVC) will benefit from facilities completed or under way at five locations. A new plant for the manufacture of vinyl calendered products such as wallcoverings went into operation at Newark, Calif.; it supplements vinyl calendering facilities at Columbus, O., which are in the process of being expanded. Additional facilities for PVC resins were completed at Illiopolis, Ill., and are under way at Leominster, Mass. Productive capacity for Resinite brand PVC packaging films was increased at North Andover, Mass., and will be further expanded again in 1967.

THE SALES DOLLAR
...how it was used



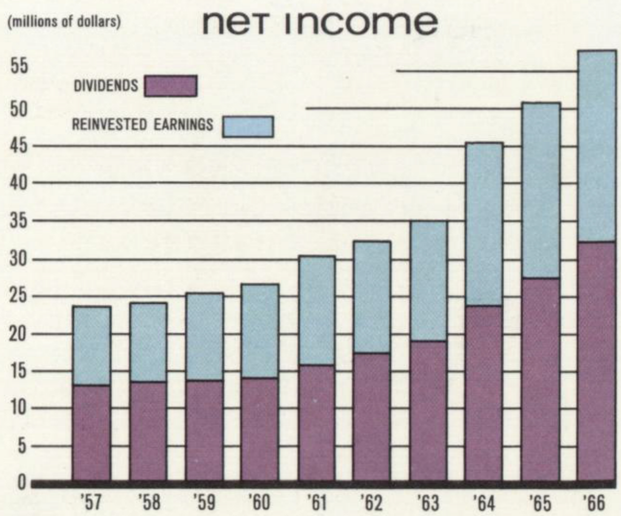
Robin Lynn Heaton, "going on 6," a first-grader at Gorrie School in Tampa, Fla., displays safety message that appeared on more than 500,000 half-gallon Borden milk containers throughout Florida during the annual "School's Open" safety program conducted by the American Automobile Association.

Milk and Ice Cream Reorganization

Effective March 1, 1967, our milk and ice cream operations in eleven Eastern and Northeastern states and in the District of Columbia will be consolidated into a single Eastern Division, thereby completing a reorganization that brings our milk and ice cream units throughout the country more nearly in line with the purchasing and marketing patterns of our wholesale customers. Headquarters of the new Eastern Division will be in New York City.

Two other consolidation moves during the year brought the former South Atlantic and Florida Districts into a single new Southeastern Division, covering six states, with headquarters at Tampa, Fla., and the former Central and Mid-West Divisions into a single organization known as the Midwestern Division, covering 12 states, headquartered at Columbus, O.

With the formation of the Eastern Division, our milk and ice cream operations in the U.S. will consist of five geographical divisions, the



others being the Southern Division, headquartered at Houston, Tex., and comprising eight states, and the Western Division, with headquarters in San Francisco, Calif., covering a three-state area.

In addition to integrating and improving service to our customers whose operations are regional in character, the consolidations will also provide economies and greater efficiency within the organization.

To accommodate rising sales and permit expansion into additional serving areas, new facilities for milk and ice cream products were completed; other projects are planned for 1967.

Two milk processing plants, each with an annual capacity of 6,500,000 gallons, went into operation during the year, one at Fresno, Calif., the other at Lexington, Ky. Both plants also have facilities for the distribution of ice cream. A new distribution unit for the home delivery of milk was completed at Dallas, Tex. At Woodstock, Ill., where we operate the nation's largest milk processing plant, we added an installation, at substantial cost, for the abatement of water pollution.

In 1967, we plan to build a milk and ice cream distribution branch at Austin, which will open a new territory and round out our service to include all the major population centers of Texas. In Florida, new milk and ice cream distribution branches will be established at Fort Pierce and Lake Worth, and facilities for cold storage and load-out of both milk and ice cream will be expanded at Miami.

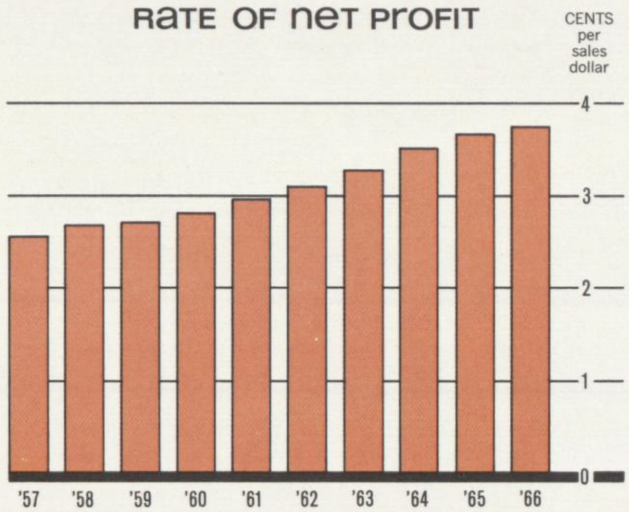
In Monroe, La., milk processing and cooling facilities will be enlarged, adding to our capacity and lowering per-unit operating costs, and new ice cream storage will be constructed at Greenville, S.C.

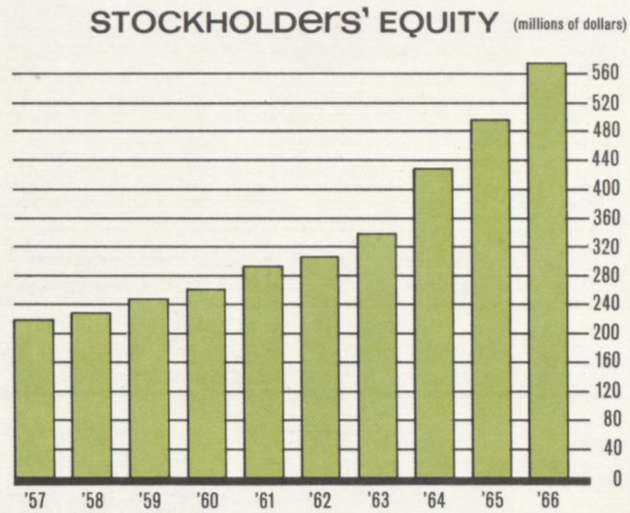
New Foods Operations

For our foods operations, the year was one of expansion, as well as of consolidation for greater efficiency. Processing of glass- and aluminum-packaged cheese spreads, formerly conducted at Delevan, N.Y., was centralized at Van Wert, O., which now handles our entire soft-cheese operations.

The Comstock and Wyler's divisions of our Borden Foods Company began using its central warehouse and distribution facilities at Chattanooga, Tenn., which serve a six-state area. Products of its ReaLemon and Snow's divisions were added in January, 1967, and a study is under way to evaluate the benefits of adding products of its other divisions.

Henderson's Portion Pak completed a cooked-food installation at its Coral Gables, Fla., meat processing operation, in preparation for the in-





troduction early in 1967 of its first pre-cooked, portion-controlled items, for institutional use.

Completion of a new manufacturing plant for Old London Foods, originally scheduled for late in 1966, was delayed because of a building-trade strike, and is now targeted for the third quarter of 1967. The plant, in New York City, will provide 210,000 square feet of manufacturing and warehouse space for snack foods, and will consolidate operations currently conducted in three separate facilities.

In 1967, a new food distribution center will be constructed at Little Rock, Ark. A factory for the repair and renovation of can-making machinery, which the Foods Company manufactures, will be built at Manteca, Calif., to supplement a similar operation at Randolph, N.Y.

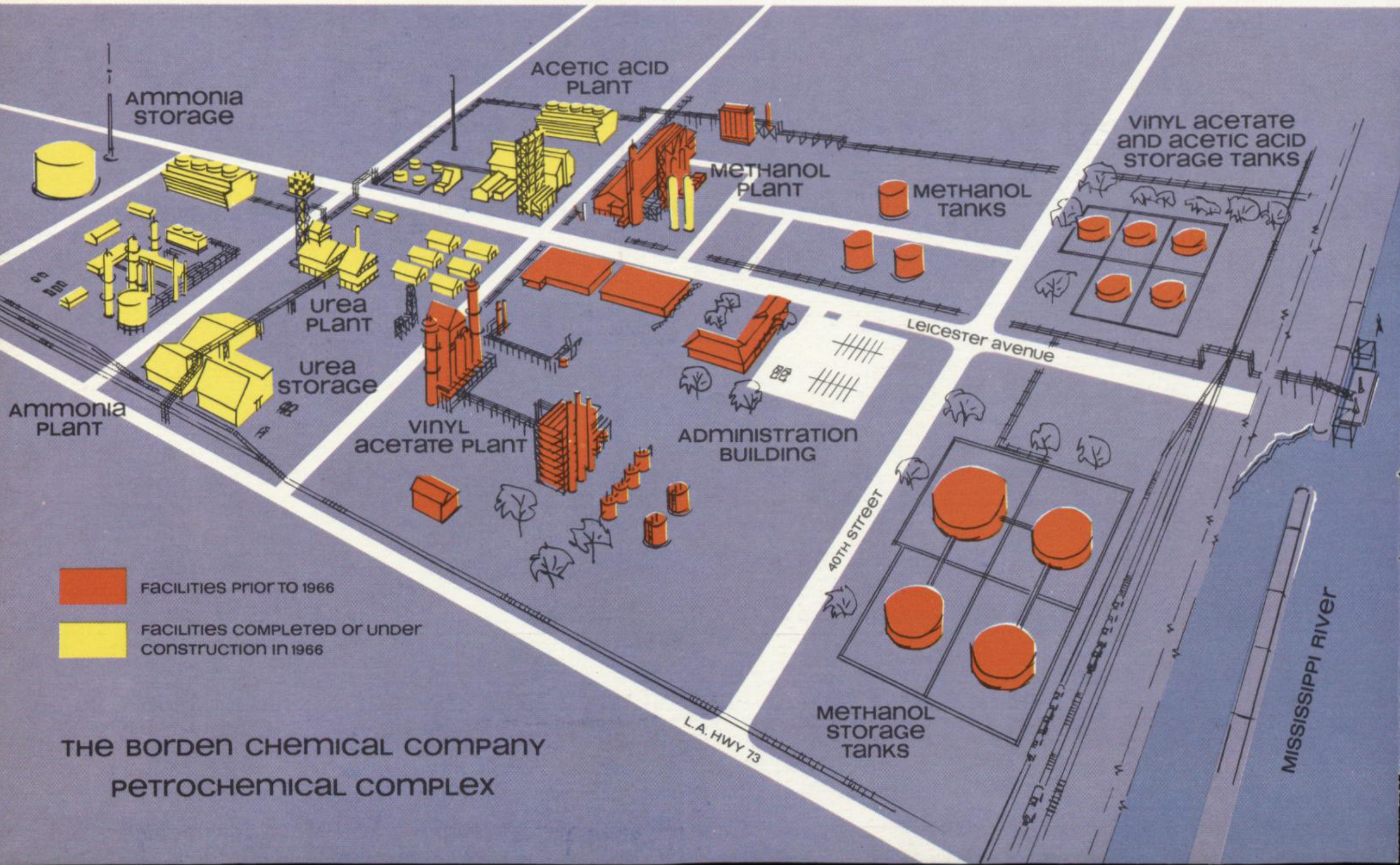
Drake Bakeries Division, which produces a variety of snacks and sweet bakery specialties that are distributed in a ten-state area from Maine to Maryland, added capacity for snack items at its Long Island City, N.Y. and Roxbury, Mass., bakeries.

Businesses Acquired

The Company in 1966 acquired four businesses that broadened and strengthened our operations in the area of consumer products.

To supplement The Borden Chemical Com-

The substantial expansion undertaken at our petrochemical complex at Geismar, La., since its opening in mid-1962 is shown by the sketch below. The original complex had a design capacity of 30,000,000 gallons of methanol and 45,000,000 pounds of vinyl acetate annually; facilities since added, or in process, will increase these to 160,000,000 gallons and 115,000,000 pounds, respectively, by 1968. The acetic acid plant went on stream in July, is now being expanded 50% to 100,000,000 pounds annually. The ammonia plant (1,000 tons per day) and the urea plant (500 tons per day) will go into production in 1967. Products are either further processed at 16 Borden plants in the U.S. and abroad or are marketed.



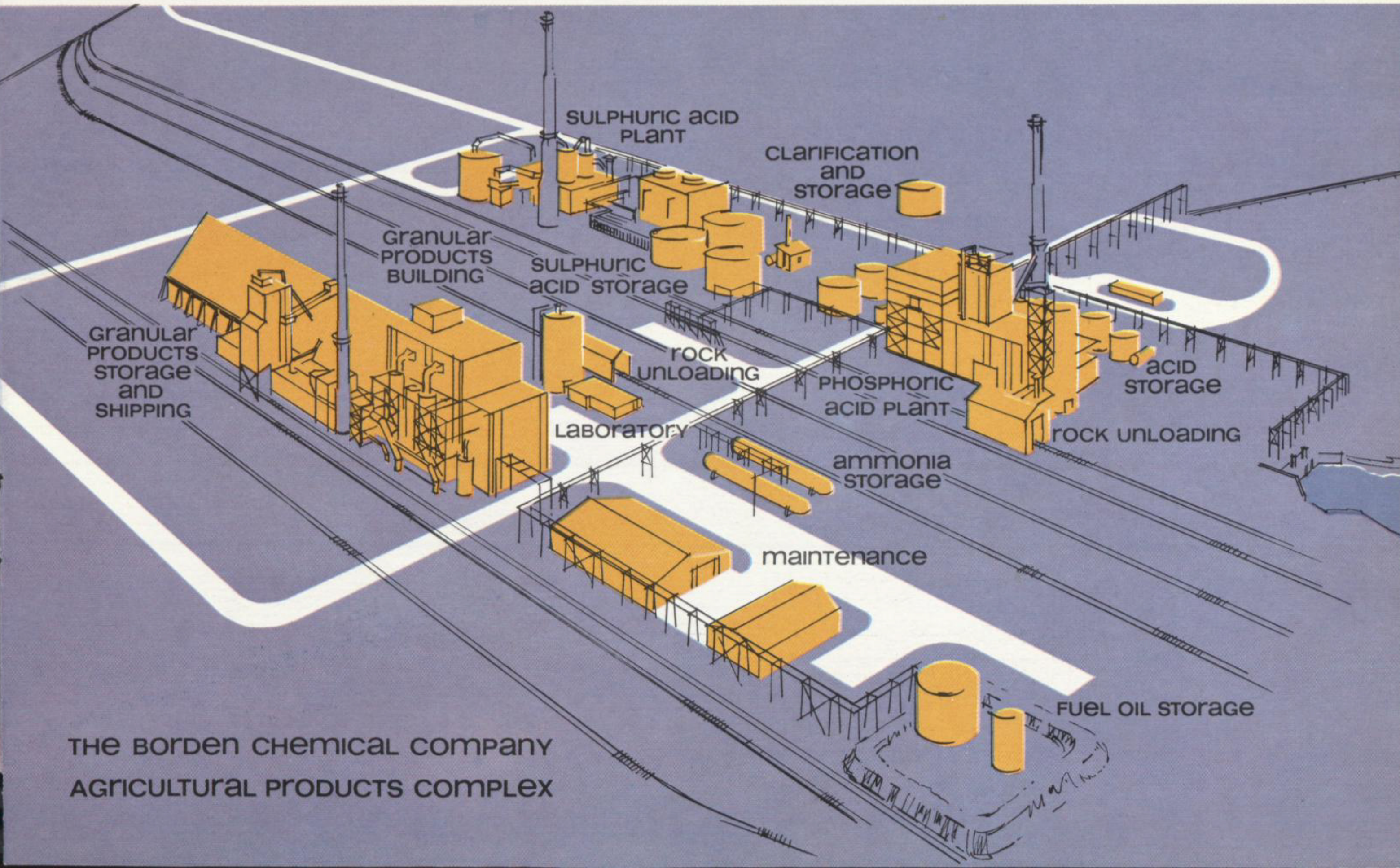
pany's growing line of consumer items, Krylon, Inc., Norristown, Pa., a major manufacturer of aerosol-packaged paints and protective coatings, was acquired in January for 245,000 shares of Borden stock. Columbus Plastic Products, Inc., Columbus, O., a leading manufacturer of molded thermoplastic housewares under the Lustro-Ware brand name, was acquired in February for 352,533 shares.

In the area of cosmetics and toiletries, Ozon Products, Inc., Brooklyn, N.Y., a manufacturer and distributor of men's and women's toiletries, was acquired in February for 178,143 shares. In December, we acquired Jean Patou, Inc., the privately held U.S. affiliate of Jean Patou Parfumeur, S.A., of Paris, France, for 240,000 shares. Jean Patou, Inc., owns all rights in the United States, Canada, Puerto Rico, and Mexico to the Jean Patou name as applied to perfumes and toiletries. It is also the exclusive distributor in those areas of Jean Patou fragrances, which include Joy perfumes and Caline and Moment Supreme perfumes, toilet waters and colognes, as well as a newly introduced men's line, Monsieur Net.

Growth Overseas

The scope of Borden's international operations widened in 1966, with the formation of

Our new agricultural products complex in Manatee County, Fla., completed during the year, is a totally integrated operation, using three basic raw materials—sulphur, phosphate rock, and ammonia—plus air and water to produce finished products. The product flow begins as molten sulphur is combined with air to make sulphuric acid. This, in turn, is reacted with crushed phosphate rock to produce phosphoric acid. Then, in the granular products plant, phosphate rock is treated with phosphoric acid to make triple superphosphate; or phosphoric acid, sulphuric acid, and ammonia are combined to make diammonium phosphate. Our Florida mines furnish phosphate rock; ammonia will be supplied from our Geismar, La., complex.



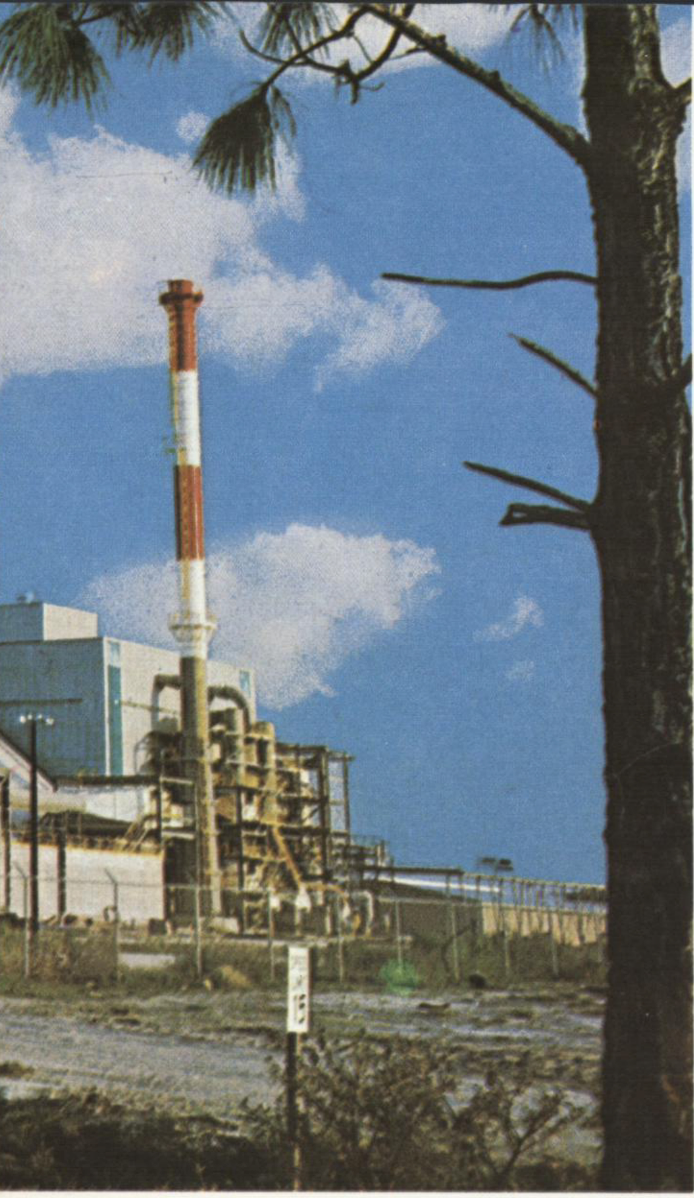
two new chemical operations abroad and the addition of new facilities by our foreign unconsolidated subsidiaries.

In Nicaragua, together with local stockholders, we formed Quimica Borden Centroamericana, S.A., an unconsolidated chemical operation in which we hold a majority interest. The company is constructing at Tipitapa, near the capital city of Managua, a synthetic resins and adhesives plant. Upon completion in early 1967, it will provide us entry into the Central American Common Market, which consists of the republics of Costa Rica, Nicaragua, El Salvador, Honduras, and Guatemala.

With Norwegian investors, who hold a minority interest, we formed our eleventh foreign chemical affiliate, Borden Kjemi Norge, A/S, with headquarters in Oslo. As its initial venture, it entered the manufacture of Resinite brand PVC packaging film, constructing a plant at Gjoevik, 80 miles north of Oslo. The film will be distributed in Norway, Sweden, Denmark, Finland, and Iceland.

At Monterrey, Mexico, a new plant for urea and phenolic resins and polyvinyl acetate emulsions went into operation. It was built by Industrias Quimicas Formex, S.A. de C.V., a newly-formed company resulting from the consolidation of two of our Mexican affiliates, Casco Quimica de Mexico S.A. and Industrias Quimicas Formex S.A.

Chemical projects in process by our foreign



Our new agricultural products complex in Manatee County, Fla., went on stream in the fall. Left, the sulphuric acid plant; right, the plant where high-analysis fertilizers are made and, center, the warehouse in which they are stored. Effluent gas stack of phosphoric acid plant shows in distance.

unconsolidated operations at year end ranged over several continents. At Granville, Australia, near Sydney, the Borden Chemical Company (Australia) Pty. Ltd. neared completion of Resinite film and "hexa" plants. The Borden Chemical Company (U.K.) Ltd., formerly Leicester, Lovell & Co. Ltd., was in the process of adding Resinite film capacity to its complex near Southampton, England; in 1966, it enlarged production facilities for epoxide resins. At Davao City, on Mindanao Island, a synthetic resins plant was under construction by the Borden Chemical Company (Philippines), Inc.

In the coming year, Alba, S.A., our chemical affiliate in Brazil, will begin construction of two major projects at Recife: a formaldehyde plant and a resins plant, both scheduled for completion in the second quarter of 1968.

In our overseas food operations, we began production of Klim brand powdered whole milk at Santa Barbara and Machiques, Venezuela, following a reduction by the local government of import quotas for this product. In the coming year we shall further expand our facilities for the manufacture of powdered whole milk in Venezuela with the construction of a new plant at El Vigia.

During the year, Henderson's Portion Pak expanded its overseas operations by purchasing 16 new vessels for its shrimp fishing fleet in French Guiana. Designated as the "Elsie and Elmer" class, the steel-hulled boats are the largest of their kind. In 1967, Henderson's will establish a fishing and shrimping operation at Bélem, Brazil.

In Spain, our affiliate, Gallina Blanca, S.A., introduced cake mixes and snack items, products long popular with American consumers but as yet untried in Spain. In introducing the snack line, Gallina Blanca was encouraged by the success experienced by our specialty foods operations in the U.S.

To further explore opportunities in Europe, the Borden Foods Company opened a sales and business office in Brussels, Belgium.

Canadian Business Improves

New products, acquisitions, and a favorable economic climate contributed to a further improvement in volume, dollar sales and profits of The Borden Company, Limited, during 1966. The improvement came despite the loss of some export business, which resulted from the reduction in the import quota for powdered whole milk by Venezuela.

The Canadian company entered the snack food industry in July with the acquisition of

At the Birmingham, Ala., plant of The Bama Company, a pallet-load of raw, shelled peanuts, each bag weighing 125 pounds, leaves the warehouse for adjacent processing room, where peanuts will be roasted, husked, and ground for peanut butter. Warehouse temperature is 40°.

Raymond's Nut Shops Limited, of Kitchener, Ont. Raymond's has an extensive line of snacks that includes such items as Caramel Corn, Cheese Twists, and Beer Nuts, which are sold coast-to-coast in Canada under the trade name of Jack Snacks.

During the year, the fluid milk business of Capital Consumers Cooperative, Ottawa, Ont., was acquired, and merged with the Ottawa Dairy Division.

Under construction at year end was a \$3,500,000 milk and ice cream plant at Ville St. Laurent, Que., a suburb of Montreal. To be operated by J. J. Joubert, Limitée, an affiliate of our Canadian company, the plant will have an initial capacity of 17,800,000 imperial gallons of milk and 3,000,000 imperial gallons of ice cream annually, and will produce cottage cheese and yogurt as well. Scheduled for completion prior to the opening of EXPO '67 in Montreal, the new plant will consolidate the milk processing and ice cream manufacturing operations of the Farm Products Division, Montreal, and J. J. Joubert, Limitée. The division and the affiliate, however, will each continue to handle its own sales and distribution in the metropolitan Montreal market.

As an additional step to improve efficiency, milk processing operations of the Hamilton and Niagara Divisions will be consolidated early in 1967 with those at London and Toronto, Ont., where new plants were recently constructed.

The Borden Company, Limited, will participate in EXPO '67, the World's Fair to be held in Montreal from April 28 through Oct. 27, as a co-sponsor of the Pavilion of Economic Progress, which is designed to tell the story of Canada's economic growth in the past century.

The Borden Chemical Company (Canada) Ltd. completed its second expansion of Resinite PVC film facilities at West Hill, Ont., adding 2,000,000 pounds annually to capacity. A 50,000,000-pounds-per-year formaldehyde plant is under construction at West Hill; when com-

pleted in the second quarter of 1967, it will triple Borden's Canadian formaldehyde production, supplementing a facility already in operation at North Bay, Ont.

New-Product and Marketing Developments

The Company's product line was substantially broadened and strengthened during the year as a result of research and development and acquisition programs; marketing and organizational changes at the divisional level increased the range, depth, and efficiency of distribution of many product categories.

FOOD PRODUCTS

The diversity of the Borden Foods Company and its speciality divisions was reflected in their new-product and marketing activities in 1966. The Foods Company began limited distribution of several new products: instant onion flavored potatoes, individually wrapped cheese food slices, and a variety pack of natural cheese slices (Cheddar, Swiss, and Colby). Two highly specialized industrial items were developed by its Can and Machinery Division: a scroll shear of completely new design; and a high-pressure cover tester, for testing tear-strip or easy-opening can lids for leakers.

The Foods Company expanded the test-marketing of its line of four A La Carte freeze-dried dinners to the New York Metropolitan Area, after limited tests in other areas. Coffee Combo, a pre-lightened instant coffee, moved into two new test markets, while tests of the Division's first non-food consumer item, White Lamb disposable tissue diapers, were extended to the Philadelphia area. The diapers became the product nucleus of a Non-Food Marketing Group, formed during the year to evaluate the potential of non-food consumer items suitable to grocery store distribution.

Divisional operations of the Foods Company developed a wide variety of product and marketing innovations, which combined to strengthen our position in the field of specialty foods.

Aunt Jane's introduced a new product, piccalilli, in all its markets; redesigned the labels of all 26 varieties of pickles and relishes, and expanded distribution in New York, Oklahoma, and Texas. The Bama Company added individual-service packs of mustard and ketchup to its institutional line; introduced new table-service jars for four varieties of preserves, and began vacuum-packing of mayonnaise and other dressings in twist-cap jars, thereby simultaneously improving product quality and customer convenience. It extended distribution in areas of Kentucky, Virginia, and Oklahoma.

Brandywine introduced in New England and the New York Metropolitan Area a 10-oz. package of fresh mushrooms, quick-frozen by a new process. The mushrooms are packaged in a newly developed, triple-layered transparent film pouch, which filters out light rays that discolor the product and from which air can be expelled and replaced by nitrogen.

ReaLemon began general distribution of Pushbutton Lemon Peel, in a 1-oz. aerosol container; pressing the metered valve dispenses "one twist of lemon peel." Also introduced was Cherry-Berry drink, in a 46-oz. can. The packaging of nine products was redesigned. Wyler's added orange and grape flavors to its line of low calorie, artificially sweetened fruit drink mixes; added onion and mushroom to its varieties of instant gravy mixes; redesigned its 3-oz. line of drink mix packages, and introduced instant beef and instant chicken bouillon in packages providing 30 cups of finished product.

Snow's began test marketing a 10½ oz. can of condensed Manhattan clam chowder in the San Francisco area. Old London Foods introduced Tortilla Chips in all its areas after successful test marketing.

Henderson's Portion Pak, early in 1967, will introduce its first pre-cooked portion-controlled foods: a beef pattie, for the school and vending trade, and fried steak and beef roast, for restaurant and institutional use.

Nonfat dry milk, marketed for 60 years, was identified for the first time in 1966 as a carrier of salmonella organisms, a widespread type of bacteria that, ingested in large quantities, can cause gastrointestinal illness. Several brands of nonfat dry milk were withdrawn by manufacturers and distributors upon the recommen-

dation of Federal or state health authorities, after traces of the organism had been found in the product. We withdrew our Starlac brand instant nonfat dry milk beginning in late October, and temporarily closed the plant at Dixon, Ill., where it was processed and packaged. Subsequently, other products which had been made at Dixon—a flavored drink mix and a whipped topping mix, both test products in limited distribution—were withdrawn from the market. At the time of recall, no cases of illness associated with Starlac were known to us or had been reported by health agencies. Starlac's annual sales represented about one-quarter of 1% of total corporate sales.

MILK AND ICE CREAM

That a product as basic as milk, and the markets it serves, are adaptable to change was indicated by the results of research and development activities carried out during the year by Borden's Milk and Ice Cream Company. In addition to quality-control work to improve the shelf-life and flavor of its products, the Division developed several new items in response to changing consumer preferences. The major new product, both in terms of potential and extent of distribution, was Swiss Style Yogurt, introduced in all fluid milk marketing areas. Based upon yogurts developed in Switzerland, it is available in plain and flavored varieties, the latter unique in that pieces of fruit and fruit essences are distributed throughout the product.

Test marketing was undertaken on two new products: Lady Borden ice milk, and low fat fresh egg nog. Regional distribution was achieved for Borden's Deluxe ice cream and sterilized Half & Half and cream, the latter two packaged in half-ounce containers for institutional use.

Six new ice cream flavors were introduced in all markets; many other flavors were tested locally for consumer reaction, and the most successful of these will be marketed generally in the coming year. In 1966, also, a wide range of frozen novelties was introduced regionally.

The Milk and Ice Cream Company is evaluating various types of plastic containers for ice cream, sherbet, frozen novelties, and milk. During the year, there was a substantial increase in the use of bulk milk dispensers by the Division's home delivery customers.

CHEMICALS

New products added to The Borden Chemical Company's line during the year came from three sources: start-up of new facilities, research and development, and acquisition.

With the opening of a new plant at its Geismar, La., complex, the Division added acetic acid to the group of basic chemicals that it manufactures. More than 300 plastic houseware products, ranging in size from plastic straws to 24-gallon refuse containers, came into the line with the acquisition of Columbus Plastic Products, Inc., which during the year introduced more than 50 new items. Acquisition of Krylon, Inc., further broadened the consumer line, adding spray paints, car colors, clear protective coatings, graphic-arts specialties, and primers.

Other new consumer products, contributed by research and development, included Cling foil, an embossed and imprinted aluminum foil with a pressure-sensitive backing, for decorative use; and three lawn-care items under the Nutro brand: turf food, TLC ("Tender Loving Care") for turf, and rose food. Five additional Nutro products will be introduced in time for the 1967 spring planting season; these include items for weed and insect control, and food for shrubs and flowers.

In addition to many specific formulations for industrial customers, Borden Chemical developed three specialty products having broad industrial applications: a polyvinyl acetate copolymer for the adhesion of PVC film to porous surfaces; a polyvinyl alcohol in two grades, for use as a binder or sizing for paper and non-woven fabrics, and a polyvinyl acetate copolymer latex, for use as a pigment binder for paper and paperboard coating.

The diversity of Borden's non-food line, apart from chemicals, was reflected in the sources that contributed to its expansion during the year. Our established line of cosmetics was supplemented through the acquisition of Ozon Products, Inc., and Jean Patou, Inc., which together provided more than 160 new products. In addition, 18 new items were introduced under the John Robert Powers name,

Food products tailored to the preferences of the Canadian market are manufactured and distributed by our subsidiary in Canada, The Borden Company, Ltd. Above are 229 representative products. Subsidiary also distributes several items made by the parent Company in the U.S.

and four under the Marcelle name.

Three new industrial cleaning and sanitizing compounds were developed, and marketed under the Tykor brand. Our line of animal-health products was extended with the development of a replacement for mare's milk, in both powdered and pelleted form, which is being market-tested under the name Foal-Lac.

Promotional Activities

Because of the diversity of our product groups, variations in their distribution, and the range of our customer interests and preferences, virtually all avenues of communication were used by our Divisions to motivate the public to buy Borden products. These included national and local radio and television, newspapers, consumer and trade magazines, Sunday supplements, coupons, professional society meetings, trade shows, samplings, bill-inserts to department store charge customers, and many others.

Our corporate advertising campaign, in its fifth year of daytime television on the N.B.C. and A.B.C. networks, provided support to 32 consumer products of three Divisions, at the same time promoting the corporate symbol of Elsie the Cow. As a result of an increase in the number of station outlets, and consequently the number of homes reached, our commercial messages are now being received in virtually all homes with television in areas where Borden products are distributed.

Company Ownership Grows

On Dec. 31 there were 27,256,000 shares of capital stock outstanding, compared with 25,658,000 on the same date a year earlier. The number of stockholders of record at year end rose from 55,392 in 1965 to 70,853 in 1966, much of the increase being accounted for by employees who became stockholders for the first time in June, after completing two years of installment payments under our Employees Stock Purchase Plan.

The average holding of all stockholders of record was 385 shares, compared with 463 shares in 1965. According to our records, no individual held as much as 1% of the outstanding stock.

During the year we issued 1,065,149 shares of stock for the acquisition of businesses, 68,982 shares under the Company's stock option plans, and 529,591 shares to active and retired employees and beneficiaries of deceased employees under the Employees Stock Purchase

Plan. We purchased 67,092 shares for our treasury.

At the Annual Meeting on April 20, stockholders approved a proposal to increase the Company's authorized capital stock from 32,000,000 to 37,000,000 shares.

Changes in Management and Board

In a realignment of executive responsibilities, Francis R. Elliott was elected Chairman of the Board of Directors; Harry L. Archer, Vice Chairman of the Board, and Augustine R. Marusi, President of the Company. The changes were effective Feb. 1, 1967.

Mr. Elliott, who had been President since 1964, continues as chief executive officer of the Company. The position of Chairman had been unfilled since Oct. 1, 1965. Mr. Elliott joined Borden's in 1929 as a lawyer. He was elected a Vice President of the Company and appointed President of Borden's Milk and Ice Cream Company Division in 1957, was elected a Director in 1959 and an Executive Vice President in 1960.

Mr. Archer, as Vice Chairman, a newly-created position, is responsible for the Company's administrative functions. Mr. Marusi, as President, is responsible for the Company's operations, foreign and domestic.

Mr. Marusi, a chemical engineer, came to Borden's in 1939, and was appointed President of The Borden Chemical Company Division in 1954. The following year he was elected a Vice President of the Company, and in 1959, a Director. In 1964 he was elected an Executive Vice President, the position he held at the time of his election as President.

Mr. Archer joined Borden's at its ice cream operation in South Bend, Ind., in 1927, and in 1960 was elected a Vice President of the Company and appointed President of Borden's Milk and Ice Cream Company. He was elected a Director in 1962. In 1964 he was elected an Executive Vice President, the position he held until assuming the office of Vice Chairman.

Edwin S. Patience, Vice President and Treasurer, was elected to the Board of Directors at the Annual Meeting on April 20. With the Company since 1932, he served as General Controller for four years before his election as Treasurer in 1962. He was elected a Vice President effective Dec. 1, 1965.

Morris Hadley, a member of Milbank, Tweed, Hadley & McCloy, the Company's Counsel, retired as a Director at the expiration of his term on April 20, after serving six years on the Board. His retirement was in accordance with a policy that Directors cannot stand for election after attaining age 72.

Cecil I. Crouse, a Vice President and the General Attorney of the Company, retired April 1 after 32 years with the organization. He had served as a Director from 1963 until December, 1965. Succeeding him as Vice President and General Attorney, effective April 1, was Edwin Clark Davis, who had been Assistant General Attorney for five years and an Assistant Vice President since 1964. Mr. Davis joined the Company in 1938.

Philip S. Campbell, who has served the Company as a lawyer for 28 years, was appointed an Assistant Vice President and Assistant General Attorney effective June 1.

In recognition of the growing complexity of governmental regulations affecting product standards and the increasing need for environmental pollution control, a staff position of Technical Director was established effective Jan. 1, 1967. Appointed to this position was Raymond J. Kunz, who continues as a Vice President of the Company and who will report directly to the President. Dr. Kunz, whose doctorate in chemical engineering is from Columbia University, was an engineering consultant before joining the Company in 1945. He has been a Vice President since 1957, having been responsible for the Borden Special Products Company Division.

On Dr. Kunz's appointment as Technical Director, the Special Products operations, which accounted for about 1% of the Company's total sales, were merged with those of other Divisions. The Ethical and Nutritional Department and Whitson Products were transferred to the Borden Foods Company, and the Flavor Department's activities were added to Borden's Milk and Ice Cream Company. All other operations were combined with The Borden Chemical Company.

Employee Benefits Expanded

As of June 30, we issued 520,967 shares of stock to employees who subscribed to the 1964 offering under the Employees Stock Purchase Plan and paid for the shares by payroll deductions over a two-year period. At year end, 279,666 shares were under subscription under the 1965 offering of stock to employees.

Effective Jan. 1, the Employees Retirement Income Plan for Canadian employees was amended to coordinate it with new government pension plans in Canada. A Group Long Term Disability Plan for Canadian employees was added to our benefit programs on May 1. The plan, which is similar to one that became effective for U.S. employees in 1965, provides partial protection against financial loss resulting from prolonged periods of disability.

The Hospital-Surgical-Comprehensive Medical Expense Insurance Plan for U.S. employees was amended July 1 to improve benefits and to coordinate its provisions with Medicare.

Benefit payments under our Company-sponsored group insurance and retirement income plans in the year ended March 31 increased 9.5% from the prior year to $8,395,084.

The Board of Directors authorized improvements in the Retirement Income Plan for U.S. employees, effective April 1, 1967, subject to Internal Revenue Service approval. The changes will result in the plan's being more in keeping with current practice. The more important changes are an increase in retirement benefits

At our Henderson's Portion Pak seafood processing plant at Coral Gables, Fla., fantail shrimp move from a breading machine onto a conveyor belt and thence into the practiced hands of employees who pack them in cartons prior to quick freezing. On another line at right, employees pack "shrimp in a basket." Much of the shrimp comes from one of Henderson's foreign operations, in French Guiana, which added 16 steel-hulled, 72-ft. shrimp boats of advanced design to its fleet during the year. Designated the "Elsie and Elmer" class, several of the new vessels have set successive world records for shrimp catches.

under the non-contributory and contributory portions of the plan and a reduction in the vesting requirements. Employee contributions under the contributory portion of the plan will be based on current annual earnings in excess of $6,600, the amount now subject to social security tax.

Membership in Borden's Quarter Century Club increased to 7,821, of whom 4,041 are retired employees. There were 520 new members inducted; six employees were honored for 50 years, and 142 for 40 years, of service.

Vehicle Safety Improves

Our continuing efforts to improve our safety performance were rewarded in 1966 by the lowest frequency rate of vehicle accidents in our history, 3% below 1965, the previous low. Our frequency rate of employee disabling injury accidents was disappointing, however; it increased 2% over 1965, and we are intensifying our safety activities in this area.

During the year, three Borden President's Awards for Outstanding Safety Performance were presented. The milk and ice cream operation at Tupelo, Miss., and the cheese operation at Van Wert, O., each received the award for having completed a million vehicle-miles without an accident. The milk and ice cream operation at Lake Charles-Lafayette, La., received the award for completing a million man-hours of work without a disabling injury.

Litigation

In a ruling of broad interest to the business community, the U.S. Supreme Court on March 23 reversed a U.S. Court of Appeals decision in favor of the Company, in a case involving the sale of Borden brand and private label evaporated milk. The Federal Trade Commission in 1962 had ordered the Company to "cease and desist" from "unlawful price discrimination" in such sales, but the Fifth Circuit Court of Appeals set aside the order in December, 1964.

A *The Borden Company, Limited, our Canadian subsidiary, acquired Raymond's Nut Shops Limited, Kitchener, Ont., leading manufacturer of snack foods sold throughout Canada under the trade name of Jack Snacks.*

B *This "pickle picker" was developed jointly by our Aunt Jane's Foods, Food Machinery Corp., and Michigan State University to help offset a severe farm labor shortage. It can harvest up to 5 acres of cucumbers in 10 hours.*

C *The world's largest plant for the production of acetic acid from carbon monoxide and methanol (67,000,000 lbs. annually) went on stream at our petrochemical complex at Geismar, La. View is of plant's distillation towers.*

D *Patricia "Pat" Bloomstine, of Ft. Lauderdale, is among the 20 "milkmaids" now helping to serve our home delivery customers throughout Florida. They have been welcomed by customers and male counterparts alike.*

E *Borden Chemical Company (U.K.) Ltd., our British affiliate, supplied adhesives and nylon sheathing for this 20-ft. plywood dory, in which John Ridgway (left) and Chay Blyth rowed from Cape Cod to Ireland in 92 days.*

F *Sue Ann Downey, Miss U.S.A. 1965 and a regular user of Marcelle hypo-allergenic cosmetics for many years, displays Marcelle's new dry skin product series, which was introduced in 1966 in a distinctive new package design.*

G *New milk processing and distribution plant at Fresno, Calif., has a capacity of 6,500,000 gallons annually, encloses 1½ acres, has 6½ acres of loading and parking space. Plant also handles ice cream distribution.*

H *Warehouse at new agricultural products complex in Manatee County, Fla., is 368 ft. long, 161 ft. wide, holds 40,000 tons of granular fertilizers. Concrete used in the structure would make a 4-ft. sidewalk 11 miles long.*

I *Kathy Ulmer, 15, daughter of Philadelphia Zoo official, burps Snowflake, a polar bear cub, after one of eight daily feedings of Borden's Esbilac, a complete formula for orphaned animals. Mother rejected the cub at birth.*

A


B


C

D


E


F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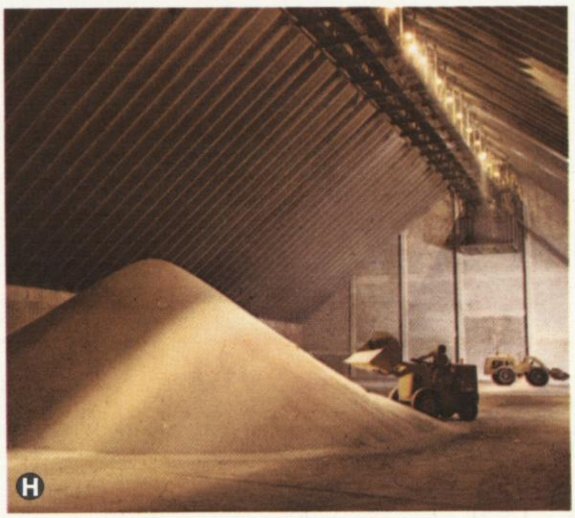
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I

One of the Company's defenses in appealing the F.T.C. order to the Court of Appeals — and the issue on which that court held for Borden's — was that Borden brand and private label evaporated milk were not of "like grade and quality." The Supreme Court, in a 7-2 decision, held that, for purposes of the Robinson-Patman Act, they were of "like grade and quality," but remanded the case to the Court of Appeals for consideration of the Company's further defenses of cost justification and absence of injury to competition. Oral argument on these issues was heard Jan. 23, 1967.

Following the acquittal of the Company and other dairy concerns by a Federal jury in Albuquerque, N.M., of a criminal charge of having conspired to fix prices and allocate sales of milk to certain schools in Southeastern New Mexico, the Department of Justice agreed to a dismissal of the related civil suit for an injunction.

In Pittsburgh, Pa., the U.S. District Court dismissed a civil suit charging the Company and 43 other defendants with violations of the anti-trust laws. Consenting to the dismissal order were the plaintiffs: five dairy farmers who had named their own cooperative association as one of the defendants.

Complying with a consent order issued by the F.T.C. in 1964, the Company sold the former McCarter's Quality Dairy Products of St. Augustine, Fla., in January; the former Dinsmore Dairy of Jacksonville, Fla., in June, and the former Sani-Seal Dairy of Saginaw, Mich., in January, 1967. Each sale was at not less than book value.

In the normal litigation arising from our day-to-day operations and those matters pending from prior years and referred to in previous Annual Reports, the Company's interests are being vigorously represented.

THE BORDEN COMPANY and CONSOLIDATED SUBSIDIARIES

CONSOLIDATED INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1966	**1965**
NET SALES	**$1,545,509,820**	$1,385,518,426
OTHER INCOME (Includes interest and dividends — 1966, $6,172,448; 1965, $6,632,488)	**8,352,424**	8,459,788
TOTAL	**1,553,862,244**	1,393,978,214
LESS		
Cost of goods sold	**1,290,101,569**	1,155,816,470
Selling, general and administrative expenses and other charges	**162,360,014**	146,897,147
Interest expense	**5,344,085**	4,266,530
Provision for U.S. and Canadian federal income taxes	**38,396,922**	36,085,703
TOTAL	**1,496,202,590**	1,343,065,850
NET INCOME for the year	**57,659,654**	50,912,364
RETAINED EARNINGS at beginning of year	**268,634,144**	245,214,411
TOTAL	**326,293,798**	296,126,775
DIVIDENDS PAID (1966, $1.20 a share; 1965, $1.09½ a share)	**31,978,143**	27,492,631
RETAINED EARNINGS at end of year	**$ 294,315,655**	$ 268,634,144
Average number of shares of capital stock outstanding during year	**26,730,599**	25,105,103
Net income per share	**$2.16**	$2.03

See pages 29 and 30 for Notes to Financial Statements.

THE BORDEN COMPANY and CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS	December 31 1966	1965
CURRENT ASSETS		
Cash	$ 48,898,044	$ 46,294,494
U.S. Government and other marketable securities (At lower of cost or market)	6,334,637	35,130,885
Receivables	150,550,519	128,692,913
Inventories (At lower of cost or market)		
Finished goods	118,795,110	93,150,860
Materials and supplies	52,849,187	47,311,724
TOTAL CURRENT ASSETS	377,427,497	350,580,876
OTHER ASSETS (At Cost)		
Investments and advances		
Foreign subsidiary companies	18,569,687	16,082,756
Domestic associated companies	4,026,916	3,906,063
Securities on deposit (Pursuant to Workmen's Compensation Laws, etc.)	1,569,288	1,570,824
Mortgages, receivables, etc.	13,062,474	12,873,854
TOTAL OTHER ASSETS	37,228,365	34,433,497
PROPERTY AND EQUIPMENT (At Cost)		
Land	25,044,680	22,785,266
Buildings	169,415,296	154,517,559
Machinery, equipment, etc.	397,146,471	333,689,159
TOTAL PROPERTY AND EQUIPMENT	591,606,447	510,991,984
Less accumulated depreciation	225,281,303	205,426,215
NET PROPERTY AND EQUIPMENT	366,325,144	305,565,769
DEFERRED CHARGES	9,749,247	7,614,635
INTANGIBLES	119,253,987	87,698,396
TOTAL	$909,984,240	$785,893,173

See pages 29 and 30 for Notes to Financial Statements.

December 31

LIABILITIES

	1966	1965
CURRENT LIABILITIES		
Payables and accrued liabilities	**$121,015,350**	$ 94,969,385
Accrued taxes	**24,229,428**	29,096,205
TOTAL CURRENT LIABILITIES	**145,244,778**	124,065,590
LONG-TERM DEBT	**158,526,433**	130,277,515
RESERVES		
Deferred federal taxes on income	**28,565,672**	25,754,352
Insurance, etc.	**7,108,618**	7,456,542
TOTAL RESERVES	**35,674,290**	33,210,894
STOCKHOLDERS' EQUITY		
Capital Stock — par value $3.75 per share Authorized 37,000,000 shares		
Employees' stock purchase installments	**5,795,588**	15,922,539
Capital surplus	**168,217,496**	117,564,991
Retained earnings	**294,315,655**	268,634,144
TOTAL STOCKHOLDERS' EQUITY	**570,538,739**	498,339,174
TOTAL	**$909,984,240**	$785,893,173

	1966	1965	1966	1965
Issued	27,427,956 shares	25,812,337 shares		
Less treasury stock	171,956 shares	154,337 shares		
Outstanding	27,256,000 shares	25,658,000 shares	**102,210,000**	96,217,500

THE BORDEN COMPANY and CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED RESOURCES PROVIDED AND APPLIED

	Year Ended December 31	
	1966	**1965**
RESOURCES PROVIDED BY		
Net income for the year	**$ 57,659,654**	$ 50,912,364
Depreciation, depletion and amortization	**28,449,037**	26,281,115
Fair value of stock issued for purchase of businesses	**41,965,552**	36,555,219
Proceeds from capital stock issued under stock option plans, installment payments under the Employees Stock Purchase Plan, etc.	**7,068,235**	13,640,016
Increase in long-term debt	**28,248,918**	27,627,515
	$163,391,396	$155,016,229
RESOURCES APPLIED TO		
Cash dividends	**$ 31,978,143**	$ 27,492,631
Additions to property and equipment — net	**89,208,412**	73,346,215
Excess of cost over net assets of businesses acquired	**31,555,591**	23,588,630
Increase in working capital	**5,667,433**	26,931,434
Capital stock purchased for the treasury	**2,515,733**	3,021,895
Increase in miscellaneous assets and reserves — net	**2,466,084**	635,424
	$163,391,396	$155,016,229

See pages 29 and 30 for Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION, ETC.: The consolidated financial statements include all significant domestic subsidiaries and all Canadian subsidiaries. Net current assets of the Canadian subsidiaries were translated at the rate of exchange prevailing at year end; other assets and liabilities at rates as of dates of origin; and net income items (other than depreciation) at the rate of exchange prevailing at the end of each month. On page 31 appears financial information concerning foreign subsidiaries not consolidated and dividends received from them by the Company.

LONG-TERM DEBT: Obligations were outstanding at Dec. 31, 1966, as follows:

	Long-Term	*Due Within One Year*
Sinking fund debentures:		
$2\frac{7}{8}\%$, due 1981	\$37,693,000	—
$4\frac{3}{8}\%$, due 1991	48,000,000	\$1,843,000
Promissory notes:		
$3\frac{1}{2}\%$, due 1973	850,000	50,000
Assumed from acquired companies:		
$5\frac{1}{5}\%$, due 1979	808,000	73,000
$5\frac{1}{4}\%$, due 1978	850,000	80,000
$5\frac{3}{8}\%$, due 1981	10,600,000	500,000
$5\frac{5}{8}\%$, due 1979	630,000	50,000
Long-term lease obligations	59,095,433	4,890,902
	\$158,526,433	\$7,486,902

The $2\frac{7}{8}\%$ debenture sinking fund obligation due on March 1, 1967, was satisfied prior to Dec. 31, 1966, by delivery to and cancellation by the trustee of debentures of a principal amount of \$1,250,000. The Company also has purchased, and holds in its treasury, \$3,557,000 principal amount of its $2\frac{7}{8}\%$ debentures and \$157,000 principal amount of its $4\frac{3}{8}\%$ debentures, which are not shown as outstanding. The Company will apply toward the retirement of the debentures and notes not less than the following amounts for the period 1968 through 1971: 1968, \$2,753,000; 1969, \$3,053,000; 1970, \$3,246,000; and 1971, \$4,303,000.

Commencing in 1966 certain equipment for which the Company has entered into lease arrangements has been treated as purchased equipment; such equipment has been capitalized and is being depreciated over its estimated useful life. The effect of this change on consolidated net income for 1966 was not material. For purposes of comparison the consolidated balance sheet and statement of consolidated resources provided and applied for 1965 have been revised to reflect similar equipment on a purchase basis. The arrangements generally provide for payment over a period of eight years from the time the related equipment is placed in operation. Payments are required in annual amounts of approximately \$7,000,000 for equipment which was operational at Dec. 31, 1966; payments will be required in annual amounts of approximately \$3,500,000 for equipment in process of installation when such equipment becomes operational.

CAPITAL SURPLUS: Capital surplus was credited during 1966 with \$14,945,400, the excess of the purchase price over par value of 599,943 shares newly issued pursuant to employee stock option and purchase plans, etc., and with \$37,971,243, the excess of fair value received over the par value of 49,473 shares reissued and 1,015,676 shares newly issued for businesses acquired. Capital surplus was charged with \$2,264,138, the excess of cost over par value of 67,092 shares of capital stock acquired.

STOCK OPTION AND PURCHASE PLANS: On Jan. 1, 1966, 334,481 shares of capital stock of the Company were reserved for unexercised stock options and 14,840 shares were available for the granting of options, which options were granted on Jan. 25, 1966. Authority to grant options expired on April 18, 1966. On Feb. 10, the Company reserved 15,346 shares for unexercised options assumed from an acquired company. During the year optionees purchased 68,982 shares and options for 3,592 shares were cancelled. At Dec. 31, 1966, there were 292,093 shares reserved for unexercised options.

On Jan. 1, 1966 there were also 912,809 shares subscribed to under the Employees Stock Purchase Plan and 882,567 shares available for future offerings. During the year, subscriptions for 103,552 shares were cancelled; 8,624 shares were issued under the Plan for retired and deceased participants, and 520,967 shares were issued under the first offering at a price of \$29.91 per share, which represented 85% of the fair market value on the expiration date of the purchase period, June 30, 1966. At Dec. 31, 1966, 279,666 shares remained under subscription and 986,119 shares were available for future offerings. Employees' installment payments, for shares under subscription, are reported in the accompanying consolidated balance sheet in Stockholders' Equity.

continued on next page . . .

. . . notes continued

DEPRECIATION, DEPLETION, AND RENTALS: Depreciation, depletion, and amortization of property and equipment charged to operations amounted to $28,449,037 for 1966. Rentals amounted to approximately $17,100,000, of which $10,400,000 was related to long-term leases (excluding leases treated as purchased equipment) that had initial lease periods generally from eight to ten years.

DEFERRED FEDERAL TAXES ON INCOME: The Company provides out of income amounts equal to the reduction in federal income tax resulting from the use, for income tax reporting only, of accelerated methods of depreciation. The amount so provided in 1966 and included in the reserve for deferred federal taxes on income was $2,811,320. The 1966 investment credit of $3,700,000 was recorded as a reduction of the provision for federal income taxes.

EMPLOYEES RETIREMENT INCOME PLANS: The unfunded lump-sum cost of retirement income for past service under the Company's plans, which is borne by the Company, was estimated to be $36,508,000 at Dec. 31, 1966.

The charge to operations for 1966 (including $1,156,000 for the amortization of past service cost) was $4,862,000. The trust funds under the plans had assets, stated at cost, of approximately $74,190,000 at Dec. 31, 1966, the aggregate market value being greater than such cost. Since these assets are held in irrevocable trust for payment of retirement income, they are not included in the Company's consolidated balance sheet. The current annual rate of retirement income being paid under the Company's plans is approximately $3,307,000.

Operations were also charged during the year with approximately $4,319,000 consisting of payments to pension trusts on behalf of certain employees, covered by collective bargaining agreements, who have elected not to participate in the Company's plans, and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

CONTINGENCIES: The Company was guarantor of loans aggregating approximately $46,600,000 at Dec. 31, 1966, of which $25,740,000 represented the Company's portion of guarantees of loans payable by domestic associated companies.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY, NEW YORK, N.Y. 10004

FEBRUARY 28, 1967

To the Stockholders and Board of Directors of The Borden Company:

We have examined the consolidated balance sheet of The Borden Company and Consolidated Subsidiaries as of December 31, 1966 and the related statements of consolidated income and retained earnings and of consolidated resources provided and applied for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the companies at December 31, 1966 and the results of their operations and their resources provided and applied for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year (after revision of the consolidated balance sheet and statement of consolidated resources provided and applied for that year as explained in Note on Long-term Debt).

Haskins & Sells

FOREIGN SUBSIDIARIES NOT CONSOLIDATED

COMBINED BALANCE SHEETS

	December 31 1966	December 31 1965
Current assets	$ 48,425,953	$44,447,175
Investments and advances		
50% owned companies — equity in net assets	12,515,157	12,518,447
Other	3,478,877	3,099,615
Property and equipment (Less accumulated depreciation)	29,652,575	27,544,750
Deferred charges	2,551,442	1,342,120
Intangibles	1,883,497	1,955,434
TOTAL ASSETS	98,507,501	90,907,541
Current liabilities	29,101,871	27,573,019
Long-term debt	9,059,733	9,174,187
Reserves	1,093,632	1,235,613
LIABILITIES AND RESERVES	39,255,236	37,982,819
Net assets	59,252,265	52,924,722
Less minority interest	7,789,990	6,869,209
COMPANY'S EQUITY IN NET ASSETS	$ 51,462,275	$46,055,513

COMBINED STATEMENTS OF INCOME

	Year Ended December 31 1966	Year Ended December 31 1965
Net sales	$122,720,330	$112,044,584
Share of net income — 50% owned companies	245,633	474,856
Other income	2,267,757	2,189,089
TOTAL	125,233,720	114,708,529
Less		
Cost of goods sold	90,222,711	86,476,711
Selling, general and administrative expenses and other charges	21,135,857	16,750,693
Interest expense	1,788,485	1,825,351
TOTAL	113,147,053	105,052,755
Income before provision for foreign income taxes and other charges	12,086,667	9,655,774
Less		
Provision for foreign income taxes	3,874,027	2,600,876
Minority interest	1,198,582	551,013
COMPANY'S EQUITY (Before unrealized exchange loss)	7,014,058	6,503,885
Company's portion of unrealized exchange loss — subsidiaries and 50% owned companies	191,200	903,280
COMPANY'S EQUITY IN NET INCOME	$ 6,822,858	$ 5,600,605
Dividends to the Company	$ 3,903,027	$ 3,902,991
Less U.S. income tax applicable thereto	550,150	706,047
Remainder included in Company's net income	$ 3,352,877	$ 3,196,944

The above combinations include the financial statements of all majority-owned foreign subsidiaries. The various foreign currencies were translated generally into their U. S. dollar equivalent in accordance with the practice for Canadian subsidiaries referred to in the Notes to Financial Statements on page 29.

THE BORDEN COMPANY and CONSOLIDATED SUBSIDIARIES

TEN YEAR HISTORICAL SUMMARY

OPERATING (thousands of dollars—except per share statistics)

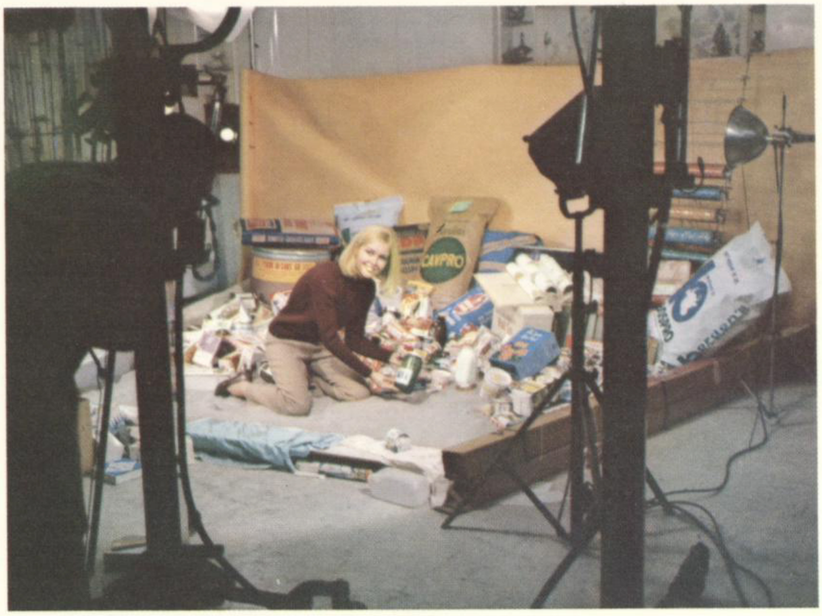
For the Year	Net Sales	Payrolls	Taxes (U.S. & Canadian Federal Income)	Depreciation, Depletion, and Amortization	Net Income	Net Income Per Sales Dollar	Net Income Per Share*	Cash Dividends	Cash Dividends Per Share*
1966	$1,545,510	$263,817	$38,397	$28,449	$57,660	3.73¢	$2.16	$31,978	$1.20
1965	$1,385,518	$240,832	$36,086	$25,814	$50,912	3.67¢	$2.03	$27,493	$1.09½
1964	$1,293,439	$231,975	$35,937	$24,796	$45,486	3.52¢	$1.87	$22,377	$1.00
1963	$1,118,875	$201,640	$30,614	$19,948	$35,093	3.14¢	$1.62	$19,107	$ .88¾
1962	$1,047,902	$193,460	$29,110	$17,846	$32,354	3.09¢	$1.53	$17,998	$ .85
1961	$1,009,665	$191,863	$28,631	$17,448	$30,082	2.98¢	$1.42	$15,451	$ .75
1960	$ 956,014	$182,732	$24,405	$15,017	$26,856	2.81¢	$1.36	$14,857	$ .75
1959	$ 941,326	$178,847	$23,728	$15,057	$25,548	2.71¢	$1.31	$13,696	$ .70
1958	$ 915,024	$178,811	$21,632	$15,393	$24,612	2.69¢	$1.27	$13,614	$ .70
1957	$ 931,220	$178,034	$22,146	$15,573	$23,996	2.57¢	$1.24	$13,123	$ .67½

FINANCIAL (thousands of dollars) / OTHER

As of Dec. 31	Working Capital	Current Ratio**	Inventories	Property and Equipment	Accumulated Depreciation	Net Property and Equipment	Long-Term Debt	Stockholders' Equity	Number of Stockholders at Year End	Average Number of Employees
1966	$232,183	2.60:1	$171,644	$591,606	$225,281	$366,325	$158,526	$570,539	70,853	39,654
1965	$227,846	2.86:1	$140,463	$481,507	$204,959	$276,548	$102,290	$498,339	55,392	37,045
1964	$199,584	2.70:1	$129,865	$452,170	$193,670	$258,500	$102,650	$427,746	51,280	36,024
1963	$172,632	2.81:1	$102,097	$382,445	$162,986	$219,459	$ 92,750	$336,869	48,566	32,051
1962	$165,068	2.97:1	$ 93,373	$367,284	$158,626	$208,657	$ 94,800	$305,920	48,919	30,994
1961	$177,314	3.13:1	$ 85,639	$348,388	$154,171	$194,217	$ 96,100	$294,125	49,524	32,128
1960	$126,206	3.08:1	$ 74,527	$316,910	$143,639	$173,271	$ 47,150	$260,626	48,954	31,944
1959	$124,418	2.71:1	$ 69,516	$305,407	$142,375	$163,032	$ 48,200	$245,570	47,942	32,165
1958	$124,255	2.67:1	$ 67,011	$292,358	$139,211	$153,146	$ 50,250	$231,904	48,358	33,718
1957	$121,102	2.68:1	$ 65,043	$282,469	$135,517	$146,951	$ 52,825	$221,095	48,537	35,058

*Adjusted for 4% stock dividend in 1958 and 2-for-1 stock splits in 1960 and 1965.

**Ratio of current assets to current liabilities.



Under floodlights, Sally Gates lends a hand in preparing the product photographs shown on the inside cover and pages 1 and 19 of this Report. Products were set in a ton of sand; sandbox was in the shape of a trapezoid to offset perspective created by the angle of the camera.

The Borden Company
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NEW YORK, N.Y. 10017

ANNUAL REPORT